THE BENEFITS OF PARENTING:
GOVERNMENT FINANCIAL SUPPORT FOR FAMILIES
WITH CHILDREN SINCE 1975

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The benefits of parenting: government financial support for families with children since 1975

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Preface

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Executive summary

The introduction of the child tax credit in April 2003 will be the largest reform to the way the government supports families with children since child benefit replaced family allowance in the 1970s. But how have successive governments used the tax and benefit system to support families with children? This Commentary quantifies the changes in the level and distribution of financial support for children (called ‘child-contingent support’ in this publication) between 1975 and 2003. The work uses micro-data and the IFS microsimulation model, TAXBEN. It is the first stage in a project that will eventually seek to answer to what extent governments have compensated families for the costs of children.

Between 1975 and 2003, total spending on child-contingent support is estimated to increase by 120 per cent in real terms, from £9 billion a year in 1975 to £21 billion a year in 2003. As the number of dependent children in Britain has fallen since 1975, the rise in real spending per child has been even greater: up by 148 per cent from its 1975 level of £12.62 a week to £31.28 in 2003. This increase, though, happened in two distinct phases: an increase during the early 1990s and a far larger increase since 1999. By 2003, child-contingent support will be at a historic high, comprising 1.9 per cent of GDP or 4.7 per cent of government spending (respectively, 1.5 per cent and 3.4 per cent in 1975).

Some of these changes are due to the changing number and characteristics of families with children and some are due to deliberate policy changes. We estimate that population changes explain around half the increase in child-contingent support between 1978 and 1999 (the longest period over which we can decompose the changes). The impact of policy changes alone in that period (an increase in child-contingent support of 26 per cent) is dwarfed by the estimated impact of the policy changes since 1999 (an increase of 45 per cent).

Although total and per-child child-contingent support has risen in almost every year compared with growth in the price level, it has not always kept pace with growth in average earnings. Per-child child-contingent support grew more slowly than average earnings in the 1980s, and then grew more quickly in the 1990s. As a result, the level in 1999 was no higher, relative to average earnings, than the level in 1984.

Child benefit has played an extremely large role in supporting families with children. In 1979, it accounted for 78 per cent of all child-contingent support. Although means-tested support for children has increased in importance since that time, child benefit accounts for nearly half of all child-contingent support even in 2002. But, although the present government remains committed to child benefit, its importance will decline further: from 2003, the new child tax credit will become the most important single programme that supports families with children.

Both lone-parent and couple families have seen child-contingent support rise, on average, since 1975. This rise has been experienced by most lone parents. Most couples, on the other hand, who receive child-contingent support through child benefit alone, have seen little increase since 1975. The rise in average child-contingent support for
couples has been due to an increase in the proportion of couple families that receive more than child benefit and to a rise in the extra support that they receive.

Lone parents, on average, also receive more support per child than couple families, partly reflecting the fact that lone parents tend to be poorer than couples. Since 1997, though, policy changes have meant that the proportion of child-contingent support received by lone parents has fallen whilst the proportion of children in lone-parent families has not.

In 2003, the proportion of child-contingent support received by one-child families will be higher than the proportion of children in such families. This was not the case in 1975. The change has been due to policy reforms that have benefited one-child families proportionately more than families with three or more children, such as family premiums in means-tested benefits, extra child benefit for the first child and the children’s tax credit. If anything, these trends have accelerated since 1999.

Since the late 1990s, families with pre-school children have received more child-contingent support, on average, than families with teenagers. This was not the case between 1975 and 1997, when they received similar or slightly lower amounts. The change has been due to policy reforms, such as the introduction of a single child allowance in means-tested benefits in place of several age-related allowances for children, and the recent increased support available to families when children are less than 12 months old.

Hence, since 1975, child-contingent support has become:

- more generous per child in real terms;
- larger as a share of GDP and as a share of government spending;
- less reliant on child benefit as a method of delivery;
- more focused on lone parents, families with one child and younger children.
1. Introduction

How much money do families receive from the government to help them bring up their children? The present government has made many changes to the structure and the generosity of financial support to families with children. The last of these reforms – bringing in the new child tax credit and working tax credit from April 2003 – is the most radical reform since child benefit replaced family allowance in the late 1970s, bringing together £11 billion of existing financial support for children and implying that almost all the 7 million families with children in the UK will receive a cash payment for their children that depends on family income, as well as child benefit.1

One of the government’s desires for the new tax credits was to ‘[help] parents to understand what they could expect to receive, and [facilitate] public debate about the correct level of support in the context of the Government’s aim to abolish child poverty within a generation’.2 More than 35 programmes have been used since 1975 to support families with children, and, at times, the way they have interacted has meant that the overall impact has been anything but transparent. One aim of this Commentary is, then, to quantify explicitly the amount of government support for families with children provided through the tax and benefit system in the UK since 1975 using micro-data and a tax and benefit simulation model. This will help put the new tax credits in their historical context.3 It will also help us examine how financial support received by families for their children has changed over the medium to long term and help us say whether child-contingent support has become more or less progressive, or more or less slanted towards large families, lone-parent families or families with young children, for example.

There are a number of things that we do not attempt in this work. The changing composition of families with children and the changing position of families with children in the income distribution have been analysed elsewhere, and we summarise the main points later.4 Although the structure of child-contingent support is an important determinant of the level of child poverty, we do not attempt to address questions such as what child poverty might have been if child-contingent support had been structured differently, or what role child-contingent support played in reducing child poverty in the past. The impact of recent tax and benefit reforms on the income distribution – and, in

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1 See HM Treasury (2002) for details of this, or Brewer, Clark and Myck (2001) for further analysis and discussion.

2 HM Treasury, 1999, para. 3.30.

3 Further changes to support for children look likely too, as the government decides how best to alter the structure of financial support for children to reduce child poverty further and perhaps even abolish it. (The government has pledged to abolish child poverty within a generation and halve it within 10 years, and the Treasury and the Department of Social Security / Department for Work and Pensions have a Public Service Agreement (PSA) to ‘make substantial progress towards eliminating child poverty by reducing the number of children in poverty by at least a quarter by 2004’, measured by the number of children in households with income below 60 per cent of the median. Latest official data show that the current rate of decline of child poverty is sufficient to meet this last target. See Brewer, Clark and Goodman (2002) for further details on all of this.) A historical analysis of the trends in reforms to financial support for families with children will also be of relevance here.

4 See, for example, Gregg, Harkness and Machin (1999) and Department of Social Security / Department for Work and Pensions (various b).
particular, on the incomes of those with children – has been examined by a number of researchers using microsimulation models, and we do not add to that line of research.\(^5\)

Our work, then, is primarily a descriptive account of the main trends in child-contingent support since 1975, informed by detailed quantitative analysis of microeconomic data. The approach is as follows. Chapter 2 first discusses why governments support families with children at all, because different rationales for intervention will, in general, lead to differently structured child support systems. We then identify the aspects of the UK’s tax and benefit system that have helped support children since 1975. Our definition of these is not limited to those parts of the system that are explicitly labelled as being child-related; instead, we include any transfer that an otherwise-equivalent family without children would not receive, and we call this ‘child-contingent support’. This definition and the rationale behind it are discussed in detail in Chapter 3, which also describes the changes to the structure of child support since 1975. Appendix A offers a detailed account of the programmes that have provided child-contingent support since 1975, and we hope that this will be a useful resource in its own right.

In Chapter 4, we quantify the changes in the level of child-contingent support since 1975. We use the IFS tax and benefit microsimulation model, TAXBEN, to calculate the increase in disposable income that each family in the Family Expenditure Survey received for its children in tax and benefit systems since 1975, by comparing these with a world in which governments do not recognise children in the tax and benefit system. This methodology is discussed further in Section 4.1. In Section 4.2, we outline the well-known changes in the characteristics of families with children, such as the falling number of children, the increase in the number of lone-parent families and the increase in worklessness and relative income poverty amongst families with children. Section 4.3 analyses our estimates of the aggregate trends in child-contingent support, and Section 4.4 turns to the amounts received by particular types of families. We conclude in Chapter 5.

This work represents the first stage in a project, funded by the Joseph Rowntree Foundation, that will eventually seek to determine the extent to which governments have compensated families for the costs of children. That work will attempt to separate child-contingent support into two parts: the part that is compensating families for the extra costs they incur by having children and the part that is simply redistributing from rich families with children to poor families with children. We will return to the reasons for government intervention outlined in Chapter 2, and relate them to the actual structure of child-contingent support in the UK since 1975. We will also compare the structure of child-contingent support with the costs of children implicit in equivalence scales such as the McClements scale, which is used to adjust household incomes when constructing the income distribution in the UK.

\(^5\) For example, Piachaud and Sutherland (2001), HM Treasury (2000) and Brewer, Clark and Goodman (2002) show how recent reforms might affect the income distribution, and therefore the number of children in relative poverty. Goodman, Johnson and Webb (1997) and Clark and Leicester (2002) look at how much tax and benefit reforms have contributed to observed changes in inequality.
2. **Why do governments support families with children?**

This chapter considers, from an economist’s point of view, why governments might want to provide support for children at all. It is not essential reading for those interested only in our quantitative analysis in Chapter 4, but it is important for those concerned about the structure of child-contingent support to understand what goals governments might have for child-contingent support, because differing goals will require differently structured programmes.

As is often the case in public policy, it is possible to divide arguments as to why governments might support children into those concerned with equity and those concerned with efficiency.

One argument is that families with children often have low incomes relative to their needs, both because of the direct costs of providing for the children and because the need to look after children usually means that the family will incur childcare costs and/or be constrained in the amount of paid work they can do. Hence, families with children might be supported by the government purely on redistributive grounds, just as families without children but on low incomes, or other families with relatively high needs, might be. This is a typical equity argument.6

A factor working against this argument is that children may contribute directly to parents’ utility or well-being: after all, most parents actively choose to have their children, and would probably choose to have them in the absence of a Welfare State providing child-related support. It is questionable whether the State has any duty to compensate people for costs that are incurred voluntarily. Indeed, if parents made rational, well-informed decisions to have children, then we might infer (by ‘revealed preference’) that the benefits of children outweigh the costs and that the family does not need any further compensation for their extra costs.7 On the other hand, there is still an equity argument that might lead us to want to support the children in these families – because they did not choose to be in the families that they are in – even if we think that the parents should face the consequences of their own well-informed choice.

But the present government’s target of abolishing child poverty, rather than poverty in general, points to another reason for supporting families with children: the idea that the issue of children living in poor families is more important to address than the issue of poor families alone. This could be seen as what economists would call an efficiency argument – if supporting children’s development has external social benefits that are not reaped by the family concerned, then society has an interest in supporting children’s development over and above the parents’ own interests. Indeed, the current government’s increasing focus on child poverty has coincided with better evidence that children who grow up in low-income families are more likely than better-off children to

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6 We are making both vertical and horizontal equity arguments: the argument that families with children should be compensated because they incur the extra costs of rearing children is a horizontal equity argument – it is about ensuring fairness between families with and without children. Over and above that, there may be vertical equity arguments that lead us to redistribute to poor families with children just as we would to poor families without children: this is about fairness between rich and poor, regardless of the presence of children.

7 See Werding (2001) for a discussion. This is similar to the argument used by Pollak and Wales (1979) to argue that equivalence scales are unidentified.
be teenage parents, to be unemployed, to be low-skilled, to be unhealthy or to commit crime in adulthood. Most of these outcomes will impose costs (both financial and social) on society in future years. Since higher taxes and social problems will be felt by the whole of society, it is sensible for society to make some investment in supporting children now in order to avoid some of those problems in years to come. Even ignoring these benefits to wider society, parents’ investment in their children may be considered too low if credit constraints prevent them from spending more money on their children despite the rewards it would bring. This, too, is an efficiency justification for providing support to families when they have children.

As well as there being gains to society from parents raising their children well, it is also argued by some that there may be gains to society from parents choosing to have children at all. These external benefits might arise if individuals (with or without children) derive benefit from the existence of other people’s children (this is known as an intragenerational externality). Additionally, there could be a fiscal externality arising because today’s children will grow up to become tomorrow’s workers and taxpayers and will pay for the public services and net transfers enjoyed by today’s adults when they retire (this is known as an intergenerational externality). Both of these arguments suggest that if people were left to make their own decisions about childbearing, fertility rates might be too low, and this would justify explicitly pro-natalist policies. There are many ways of implementing pro-natalist policies, but, by reducing the financial cost of having children, an increase in child-contingent transfers should raise the fertility rate (a recent example of this is analysed in Milligan (2002)).

There are some other, less important, motivations that might affect how governments support families with children. For example, governments may have preferences for certain types of families with children (and thus, for example, support married as opposed to cohabiting couples with children). Also, governments may care about work incentives when structuring financial support for families with children (since evidence suggests that parents are particularly responsive to financial work incentives).

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8 See also Cabrillo (2001).

9 See, for example, Blundell et al. (2000) and Bingley and Walker (1997).
3. **The structure of support for children in the UK since 1975**

Financial support for children in the UK has seen many changes since the introduction of extra income tax allowances for dependants in 1909. These reforms have changed, for example, whether support is delivered through the tax or social security system, whether it is means-tested or not, whether it is paid to the main earner or main carer in couples, how it treats small and large families, and how it differentiates between old and young children.

The aims of this chapter are to describe the main reforms since 1975 (Section 3.2) and to discuss how the structure of child-contingent support has changed in various dimensions (Section 3.3). The end point of our analysis is 2003, when the new tax credits are introduced.\(^\text{10}\) Many of the themes highlighted in Section 3.3 are returned to in Section 4. The full data underlying this analysis are presented in Appendix A. Much of the information comes from readily available sources and does not represent new material; our contribution is to bring together a coherent discussion of the changes to child-contingent support over a comparatively long period.

But we start by defining what we understand by ‘government financial support for children’. Our choice of definition is important, as it is different from that used by others.

### 3.1 Defining government support for children

All governments support children and their parents in many different ways: through public spending programmes, with direct help through the tax and benefit system, and through innumerable laws and regulations.

One problem that confronts all governments that want to help children is that governments cannot directly affect children’s own incomes, nor can they even be sure that increasing incomes in families with children will help children’s well-being. Although there is evidence linking deprivation as an adult to growing up in a low-income family, there is little evidence on what impact increasing incomes through extra government transfers has upon children’s well-being. Even if low incomes are linked with adverse outcomes, it need not be the case that increasing family income will improve these outcomes – there may be some hidden factor that is producing the apparent causation (for example, parental characteristics may lead to both higher parental incomes and better child outcomes).

Another important factor is that parents may already be protecting their children from the effect of low incomes by making sacrifices themselves (indeed, this is suggested by two recent studies using different methodologies (Gordon et al., 2000; Middleton, Ashworth and Braithwaite, 1997)). This could imply that increasing the amount of money going to low-income families with children may help the parents more than the children.

\(^{10}\) The child tax credit will be introduced in two stages: it and the working tax credit will replace the working families’ tax credit and the children’s tax credit in April 2003, and the child tax credit will replace the child-contingent parts of income support and jobseeker’s allowance from October 2003 (for parents over 60) or from April 2004 (for parents under 60): see HM Treasury (2002, annex B).
This, in turn, helps explain why governments provide a great deal of support and assistance for children through public services as well as through income transfers.

Whilst acknowledging these concerns, our focus is on cash support explicitly as provided through the social security system and the personal tax system. This means, then, that we do not look at things such as:

- how much governments spend on children through public services;
- how indirect taxes help families with children (through, for example, zero-rating children’s clothes for VAT purposes);
- the State’s role in enforcing and collecting child maintenance payments.

Our definition of support for children is not limited to those parts of the tax and benefit system that are explicitly labelled as being child-related, such as the child additions to most existing means-tested benefits; instead, we include any transfer that an otherwise-equivalent family without children would not receive (we call this a ‘child-contingent transfer’, and from now on, we use the phrases ‘child-contingent support’ and ‘support for children’ interchangeably). This means that we count as child-contingent support any part of any transfer (i.e. a tax payment or a cash benefit) that changes in value with the presence (or age or number) of children and any transfer where eligibility is conditional on having children at all.

Further details are given in Appendix A and Section 4.1, but we would highlight that we do include, for example:

- the whole of child benefit, one-parent benefit, family allowance, the pre-1980 child tax allowances, the additional personal allowance for non-married couples with children and the new child tax credit;
- the whole of family income supplement, family credit (FC) and working families’ tax credit (WFTC) payments, since no equivalent benefit exists for those without children and without a disability;
• the difference in the earnings disregards between a single person and a lone parent in current means-tested benefits and the difference in working tax credit awards between a single person and a lone parent (from 2003).

We do not include as child-contingent support:

• certain maternity benefits which mostly perform the role of State-operated earnings insurance. For example, we do not regard statutory maternity pay and maternity allowance as being child-contingent support, because the eligibility conditions are concerned with a woman being pregnant and working before the birth, but we do count the maternity grant, because it is available to any parent on means-tested benefits with a child under 1;

• benefits in kind, other than free school meals (mostly because of the difficulties of valuing them).

There are several elements of child-contingent support that we are not able to model, and we discuss these in Section 4.1. One is worth mentioning here, though: we do not model the future entitlement to the basic state pension or widowed parent’s allowance that is accrued as a result of child benefit receipt. This is, in principle, a way of supporting children: it reduces the number of years in which mothers have to make National Insurance contributions, to recognise the work they do in raising children. It is extremely difficult, though, to value this benefit, which is effectively deferred until a woman retires.

3.2 Support for children since 1975: an overview

There have been many changes since 1975 to the way child-contingent support is provided through the tax and benefit system. Appendix A lists them, and Figure 3.1 provides a time line of programmes arranged by type of programme. This enables us to see which programmes existed at any particular time and which new programmes merely replaced existing ones (such as the family-income-supplement–family-credit–working-families’-tax-credit–child-tax-credit transition).

There are three major points of reform (Table 3.1 summarises the main changes chronologically):

• the 1976–79 move from family allowance and child tax allowances to child benefit and one-parent benefit;

• the 1988 Fowler reforms introducing income support, family credit and housing benefit;

• the 2003–04 consolidation of income support, working families’ tax credit and the children’s tax credit into the new child tax credit and working tax credit.
Figure 3.1. Support for children since 1975: a review


- Family allowance
- Child benefit
- One-parent benefit
- Non-contributory invalidity pension
- Severe disablement allowance
- Invalid care allowance
- Maternity grant
- Sure Start maternity grant
- Rate rebates
- Rent rebates and allowances
- Standard housing benefit
- Housing benefit
- Council tax benefit
- Supplementary benefit
- Income support
- Income-based jobseeker’s allowance
- Family income supplement
- Family credit
- Working families’ tax credit
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*Note:* Years refer to financial years (e.g. 1988 is 1988/89). The figure shows programmes in existence and providing support for children at the end of the financial year. Some changes of name are not shown here. For details, see Appendix A.
Table 3.1. The main reforms to financial support for children since 1975

<table>
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<tr>
<th>Date</th>
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<tbody>
<tr>
<td>1976</td>
<td>Introduction of one-parent benefit (then called child interim benefit).</td>
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<tr>
<td>1977</td>
<td>Abolition of family allowance; introduction of child benefit (paid for the first child, unlike family allowance). Most non-means-tested benefits stop being weighted towards the first child from the following year.</td>
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<tr>
<td>1977–79</td>
<td>Child tax allowances phased out; child benefit (usually paid to the mother, unlike child tax allowances) increased commensurately.</td>
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<td>1984</td>
<td>Means test on partner’s income introduced for child additions to most non-means-tested benefits. Child additions to unemployment benefit and sickness benefit abolished for claimants under pension age.</td>
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<tr>
<td>1987–91</td>
<td>Child benefit frozen at £7.25 per week.</td>
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<td>1988</td>
<td>Family income supplement replaced by family credit (paid to the mother and requiring couples to work fewer hours); supplementary benefit by income support (higher for lone parents and eldest children); and standard/certificated housing benefit by housing benefit (lower for younger children).</td>
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<tr>
<td>1990</td>
<td>Individual system of income tax introduced.</td>
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<td>1991</td>
<td>Higher rate of child benefit introduced for eldest child. Many non-means-tested benefits become weighted against the first child the following year.</td>
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<td>1991–92</td>
<td>Substantial increase in the rates of child benefit, family credit and the child allowances and family premiums in income support.</td>
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<td>1992</td>
<td>Hours requirement in family credit relaxed.</td>
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<td>1998</td>
<td>One-parent benefit (and its corollaries in the income-related benefits) abolished for new claimants.</td>
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<tr>
<td>1999</td>
<td>Large increase in child benefit for the eldest child and in child allowances and family premiums in income support.</td>
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<td>1999</td>
<td>Family credit replaced by working families’ tax credit, which is more generous, allows couples to choose who receives it, does not vary by age of child for under-16s and can be paid through the wage packet.</td>
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<td>2000–01</td>
<td>Children’s tax credit replaces less generous married couple’s allowance and additional personal allowance.</td>
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<td>2000–02</td>
<td>Maternity grant increases fivefold.</td>
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<tr>
<td>2003–04</td>
<td>Introduction of child tax credit and working tax credit to replace working families’ tax credit, children’s tax credit and child-related elements of income support and income-based jobseeker’s allowance. Child additions removed from most non-means-tested benefits.</td>
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*Note: All monetary values in current prices.
Source: Derived from information in Appendix A and Child Poverty Action Group (various a, b and c)._

Other, more minor, changes include:

- the means-testing of child additions to National Insurance benefits from 1984;
- the freeze in child benefit between 1987 and 1991, followed by the real increase in child benefit for the first child and rises in most means-tested benefits in 1992;
- the two-step reduction of the hours condition for in-work support in 1988 and 1992.
3.3 The changing structure of support for families with children since 1975

One of the features of the history of financial support for children in the UK is the variety of methods that have been used to transfer money from government to families with children. In this section, we analyse trends in the structure of child-contingent support, summarising the detail contained in Appendix A. That appendix characterises programmes on the basis of whether they are contributory, dependent on income, taxable, limited to taxpayers, assessed on individual or family circumstances, dependent on the number of adults, weighted towards the first child and dependent on the age of children, and on how (and, in a couple, to whom) it is paid. In this section, we analyse:

- whether programmes have been universal or income-related (in some way, so including tax allowances and credits);
- how – and, in a couple, to whom – they are paid;
- whether and how they depend on the (non-financial) characteristics of the family.

Also of relevance, of course, is the number of programmes. Tax and benefit systems with a large number of programmes that support children could be seen as overly complex and obscuring transparency. This is more likely to be the case when programmes interact with one another, as this makes it difficult to evaluate the overall level of support and requires parents to claim multiple programmes. On the other hand, a large number of programmes might allow better targeting of assistance on desired groups.

According to the breakdown presented in Appendix A, there will be fewer programmes supporting children in 2003 than there were in 1975 (although it can be difficult to decide what constitutes a separate ‘programme’). The number of programmes fell in the 1980s, as rent allowances, rent rebates and rate rebates were consolidated into housing benefit and as some non-means-tested benefits ceased to support children. There was little change through the 1990s, and the reduction in the number of programmes is mostly driven by a single reform – the introduction of the new tax credits in April 2003 – which consolidates three income-related programmes into one new child tax credit and simultaneously abolishes child-contingent support in most non-means-tested benefits.

It is also true that the rate at which programmes have been changed or replaced has risen over time, and particularly since the early 1990s. The most changes have been made since 1997; the Labour government argues, though, that these represent a period of transition from the system inherited in April 1997 to the new tax credits in (ultimately) April 2004.

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14 By this, we mean the benefits for which eligibility depends on past National Insurance contributions or credits.

15 By this, we mean instances where the amount paid in respect of a child is different for couples and lone parents. An example is one-parent benefit, but there are other, less obvious, instances (see Appendix A). We do not mean instances where the total transfer (i.e. child-contingent and non-child-contingent transfers) varies with the number of adults irrespective of the presence of children, such as income support (after the abolition of the lone-parent premium in 1998).

16 Appendix A records 20 programmes in 1976–79 and eight programmes in 2003 (child tax credit, working tax credit, child benefit, housing benefit, council tax benefit, disability living allowance, maternity grant and the child maintenance bonus). But, as detailed in a note to the table, a few minor programmes are omitted.
Universal, contributory or income-related?

One of the most important design elements is whether a child-contingent support programme is income-related or not. In practical terms, it is important to remember that programmes can depend on income in ways other than a simple means test. The following are all relevant, for example:

- programmes available only to taxpayers (such as the children’s tax credit or child tax allowances) are worth nothing to those with incomes too low to be taxed;
- taxing a benefit reduces its value only for recipients with incomes high enough to be taxed;
- overlapping benefit rules matter: child benefit, for example, is worth nothing to (low-income) recipients of income support / income-based jobseekers’ allowance because it is counted as income for the means tests.

As we suggested in Chapter 2, how a child-contingent transfer should be designed depends very much on its policy goals. One of the rationales for government support for families with children was to correct for the supposed external benefits of the presence and development of children. There is no reason to suspect that the size of these externalities would vary with the income of the parents, and this would point to universal child benefits. On the other hand, if our concern is in the way that children are brought up, and if parental underinvestment in children is caused by parents’ credit constraints, then we might want to focus support on low-income families through income-related child-contingent support.

The horizontal equity arguments for supporting families with children do not immediately suggest that child-contingent support should be higher for families with lower incomes. Vertical equity does suggest that support should be higher for families with lower incomes, but this is true irrespective of whether they have children, and so this should be reflected in non-child-contingent transfers.\(^{17}\) Horizontal equity may even suggest that child-contingent support should be higher for better-off families, because of the extra costs that they face to maintain a higher material living standard; indeed, this is implicit in equivalence scales that operate on a ratio basis, as the McClements scale does, and would point to inverse means-testing – for giving more child-contingent support to better-off families.\(^{18}\) A rather different view of equity is that parents should ‘earn’ the right to benefits for their children by paying National Insurance contributions when working; again, this can have the effect of an inverse means test, but one based on historical rather than current income. Even if notions of inverse means-testing are unacceptable, there is no reason to suppose that costs of children are higher in absolute terms for poorer families than for richer ones, and this again points to universal child support.

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17 Cabrillo (2001) defends this position. Of course, having children may well reduce family income because of time taken caring for the children, but this reduction in income can still be captured without making explicit provision for families with children.

18 For a discussion of this principle, see Banks and Brewer (2002). Inverse means-testing could be achieved in practice if extra tax allowances were granted for children in a tax system that was progressive overall, as is the case in the USA and some EU countries. See, for example, Battle and Mendelson (2001) or Brewer and Gregg (2001).
benefits, with redistribution goals being achieved through the non-child-contingent transfer system.

There are, though, other factors to consider when designing child-contingent transfers, and these can be used to justify universal or income-related child-contingent support. Compared with income-related child-contingent support, universal benefits are expensive, but they help avoid introducing disincentives to work or save. Universal benefits may be more efficient to administer than income-related benefits, with lower costs and higher take-up, meaning that more money reaches its target for a given level of compliance and administration costs. Means-tested benefits, on the other hand, save money by restricting support to those who need it most, but can provide disincentives to earn more and thereby encourage a poverty trap or benefit dependency. Recent government policy has directed extensive support towards low-income families while attempting to avoid very high disincentives by means of high in-work benefits with shallow tapers (see Brewer and Clark (2002) for some quantification of this). The debate on the relative merits of universal, contributory and means-tested benefits is ongoing and this Commentary makes no judgement on the issue, but it is clearly a central issue for anyone concerned with government policy in this area.

So what has happened to this key feature of child-contingent support since 1975? The two main trends are a steady decline in the role of contributory benefits and a steady rise in means-testing. This is well illustrated by the maternity grant, which stopped being contributory in 1982 and became part of the means-tested Social Fund in 1987. Other examples include:

- the introduction in 1984 of a means test on partner’s income for child additions to most non-means-tested benefits and, at the same time, the abolition altogether of child additions to unemployment and sickness benefits for claimants under pension age;

- the introduction in 2001 of a means test on private pension income for incapacity benefit (and so for the child additions to that benefit);

- the abolition of the remaining child additions to most non-means-tested benefits in 2003.

Much of the rise in means-testing is related to more claimants and increased generosity in existing programmes rather than to the introduction of new programmes, and we leave quantification of this until Chapter 4 (see Figure 4.10 in particular).

We might also care whether any means test (or contributions test) is assessed on an individual or joint basis for couples. This question centres on whether we believe that family units share, or ought to share, resources. The present government’s thoughts were summed up by Alistair Darling (when Secretary of State for Social Security) as follows: ‘going away from joint assessment is to raise the obvious point of the duke and the duchess. The duchess has no money but the duke has millions. Do you say that you should pay the duchess income support or do you say that the duke has an obligation to his family that the state does not always have to have?’ (cited in House of Commons (2000, para. 90)). Whether benefits are assessed against individual or joint income will
have implications for individuals’ right to financial autonomy (see Bennett (forthcoming)). A further dilemma is that it is not possible to assess transfers against joint income under a progressive transfer system – one that has a higher average rate of tax on the rich than the poor – without introducing disincentives to cohabit.19

There has been little change in this regard since 1975, however. Contributions tests in National Insurance benefits are all individual (except for benefits paid to widows) and, other than conditioning child additions to certain non-means-tested benefits on the income of the partner only, income has consistently been jointly assessed. This (lack of) trend, combined with the extension of means-testing and decline of contributory benefits over the last 28 years, amounts to an extension of joint assessment of child-contingent support.

How, and to whom, any benefit is paid

How support is paid may affect how cheap the programme is to administer. It may also affect the transparency of the programme and the level of stigma attached to it; either of these can influence both the political feasibility of introducing, altering or abolishing the scheme and the likelihood of take-up. This is certainly the present government’s view: it hopes that ‘as a tax credit rather than a benefit, [the working tax credit] should reduce the stigma associated with claiming in-work support, and encourage higher take-up’ (HM Treasury, 2000, para. 2.8).

Throughout the period in question, some use has been made of the tax system (defined widely), in the form of rebates to council tax (and its predecessors) and (in turn) the additional personal allowance, children’s tax credit and (arguably) the child tax credit. The two major changes in the use of the tax system have been the abolition of child tax allowances in the late 1970s and the recent use of the Inland Revenue to pay in-work benefits. But the current (from 2003) use of the tax system does not mean using the PAYE system: instead, for the child tax credit and the childcare element of the working tax credit, the Inland Revenue will be making payments directly into recipients’ bank accounts in the same way that the Department of Social Security used to.

Arguably a more important question than how payment is made is to whom it is made: which member of a couple receives the money intended to support their children? This is closely related to the previous question – non-refundable tax credits can only be paid to the earner in a one-earner couple, for example – and touches on another active research question: is there any justification for the popular belief that mothers spend child-contingent support on children while fathers spend it in the pub?20

A trend towards paying support to the carer began in the late 1970s with the move from family allowance (paid to the mother) and child tax allowances (paid to the father) to child benefit (usually paid to the mother), and continued in 1988 with the move from family income supplement (which allowed couples to choose who received it) to family

19 The so-called ‘marriage penalty’ in the US literature, more correctly a ‘cohabitation penalty’ in the UK.

20 See Lundberg, Pollak and Wales (1997) for quantitative evidence that mothers are more likely than fathers to spend money in ways that benefit children.
credit (paid to the mother).21 The present government began by reversing the trend, replacing family credit with working families’ tax credit (which allows couples to choose). The latest reforms, however, are in the ‘wallet-to-purse’ direction: the child tax credit and the childcare element of the working tax credit will be paid to the mother, unless the couple agree to pay them to the father, whereas the schemes they replace were not (income support and working families’ tax credit allowed the couple to choose, income-based jobseeker’s allowance was paid to the jobseeker, and children’s tax credit could not be paid to non-taxpayers and had to be paid to the higher earner if he/she was a higher-rate taxpayer).22

Characteristics of the family

It is a widely held view that lone parents need more support for their children than couples with the same income. This may be because couples are regarded as having an extra implicit income in the form of the second partner’s time: couples have twice as much time available for earning or childcare as lone parents. For example, one member of a couple can work while the other looks after the children, whereas lone parents often face a choice between the two.

That is not the stated view of the present government. One-parent benefit (and its corollaries in the income-related benefits) was abolished for new claimants in 1998, Gordon Brown telling the House of Commons that ‘support should be on the basis of the identifiable needs of children, not on whether there happens to be one parent rather than two. There is no case for a one-parent benefit and we shall not return to that. Additional support should be provided on the basis not of family structure but of family need’ (Hansard – HC Deb 17 March 1998 cc 1107–1108). (However, the working tax credit will imply a higher level of child-contingent support for lone parents than for couples: single people without children receive a lower rate than lone parents or couples (with or without children), so single people who have a child receive a rise in their working tax credit award that couples do not get.)

When thinking about support for children, family needs depend on the cost of children as well as the earning power and childcare capabilities of the parents. One factor affecting the cost of children is the presence of other children: a second child may be less costly than a first, for instance, if there is a fixed cost of staying off work to take care of them, or if clothes and other goods can be ‘handed down’. The last 28 years have seen the tax and benefit system place more weight on whether a family has any children than on how many it has. This has been most obvious in the universal benefits: family

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21 The rules also differed for supplementary benefit, income support and income-based jobseeker’s allowance, but they defy easy categorisation; Appendix A has details.

22 It is easy to overlook nuances in the system when discussing to whom benefits are paid. There are some benefits where there is no choice on who in a couple must claim or receive the benefit (for example, incapacity benefit is paid to the incapacitated person). For most benefits, though, there is a degree of choice; what matters then is what happens if individuals in a couple cannot agree. Child benefit, for example, is often said to be paid to the mother; in fact, potential claimants can choose who claims, but if there is a dispute, then priority goes first to a person with whom the child lives, then to a wife (where husband and wife are living together), then to a parent (including step-parent or adoptive parent), then to the mother (where the parents are unmarried and living together) (taken from Child Poverty Action Group (various a, b and c)). On the other hand, the children’s tax credit is split equally between the two individuals in a couple if they cannot agree how to split it and they are both entitled to receive it.
allowance, which was not paid for the first child, was replaced by child benefit, which is available to one-child families and indeed has paid more for the first child since 1991. Further moves in the same direction were encapsulated in the 1988 reforms, in which supplementary benefit (which paid no more for the first child) gave way to income support (which does) and the housing benefit system began to give couples more for their first child (as well as lone parents, for whom this was already the case).

The cost of children also depends on their age. Historically, more money has been provided for older children: child tax allowances, supplementary benefit, family income supplement (from 1985) and family credit all had lower rates for younger children. This tendency was largely phased out in the late 1990s, however, so that income support, income-based jobseeker’s allowance, housing benefit, council tax benefit and working families’ tax credit now all have a single rate for children under 16 years old. In fact, the trend has swung the other way, with the children’s tax credit (from 2002) and the child tax credit (from 2003) being higher for children under 12 months old and the Sure Start maternity grant becoming much more generous than previously.

In summary, we can see that a number of trends have emerged. The number of programmes supporting families with children has fallen; programmes have been increasingly means-tested and decreasingly contributory, with the tax system phased out of use and then brought back again; and support has increasingly been paid to the main carer, for the first child and for younger children.

The structure of programmes, however, can tell us only a limited amount: their impact can be gauged only if we know how much support each programme provided. We therefore turn now to examine how the overall generosity of support has changed since 1975, and how this support has been distributed among different groups.

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23 See Banks and Johnson (1993).
4. The generosity of support for children in the UK since 1975

Having described the changes in the structure of programmes that support children in Chapter 3, this chapter quantifies the level of child-contingent support received by families since 1975 and analyses the main characteristics and changes.

Our methodology is discussed in some detail in Section 4.1. Section 4.2 presents, as background, a brief discussion of the changes in the characteristics of families with children since 1975, as this is clearly an important component in understanding the changes in the level of child-contingent support (although the two are, to some extent, determined simultaneously). Section 4.3 discusses some of the broad trends between 1975 and 2003 in the level of child-contingent support – how much has been spent in total, how this is split between the various programmes and between different types of families, how much has been received by each child and how important child-contingent support has been as a component of family incomes. Section 4.4 expands and quantifies some of the analysis in Section 3.3 on the changes in the structure of programmes between 1975 and 2003.  

One key point to make is that, throughout this chapter, we are not attempting to describe changes in total family income, but instead are focusing specifically on child-contingent support, as defined in Section 3.1.

4.1 Our modelling strategy

Using a tax and benefit model to calculate entitlements

As Section 3.1 explained, our definition of child-contingent support is not limited to those parts of the system that are explicitly labelled as being child-related; instead, we include any transfer that an otherwise-equivalent family without children would not receive. We would also like to model child-contingent support across the whole distribution of families with children. This is more sophisticated and paints a more accurate picture than looking at the rates of or spending on particular programmes that support children, because the relative importance of different programmes changes over time and the majority of families receive help from more than one programme. Indeed, child-contingent support in practice can depend upon factors such as the age of children and adults, the distribution of earnings within a family, childcare costs, housing tenure and costs, and disability. Only a complex tax and benefit simulation model will capture all these special cases and their interactions.

A tax and benefit model typically tells us about entitlement to transfers rather than their receipt. Modelled entitlements differ from receipts for several reasons: errors in the recorded data if survey respondents confuse the names of benefits or give imprecise estimates of their income; differences in the time period (for example, surveys typically

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24 For simplicity, in the modelling presented in this chapter, we treated the child tax credit as if it were fully operational in April 2003. This saved us from having to guess what the 2004 tax and benefit system would look like. As explained in HM Treasury (2002, annex B), those families on income support that do not receive the child tax credit in 2003 will not be financially disadvantaged, so the only inaccuracy introduced by this assumption is the misclassification of spending in Figures 4.8, 4.9 and 4.10, where, for 2003/04, we have wrongly classified some spending on means-tested benefits as tax credits expenditure.
collect data on weekly income, and income tax requires incomes over a financial year; non-take-up; and errors in the tax and benefit simulation process.

Table 4.1. Means-tested benefit and tax credit take-up rates

<table>
<thead>
<tr>
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<th>Family credit / WFTC</th>
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<th>Income support / supplementary benefit</th>
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<td>(all families with children pre-1992)</td>
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<td>(all families with children 1993/94–95/96; lone parents since)</td>
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<td>As % of caseload</td>
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<td>Lone parents</td>
<td>Couples</td>
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Notes: Different methodologies were used for the following periods: up to and including 1995/96, 1996/97, and since 1997/98. Figures shown are mid-points of stated range in some years; DSS/DWP estimates 95 per cent error bands that range from +/-1 to +/-6 percentage points over time and between benefits. Excludes full-time self-employed.

Sources: Department of Social Security / Department for Work and Pensions (various a), except (a) McKay (2002), (b) Marsh et al. (2001) and (c) Fry and Stark (1993).
These concerns might lead us to prefer to use data on receipts.\textsuperscript{25} For example, it might be misleading to describe a particular tax and benefit system as ‘very generous’ if it were based upon entitlement to a benefit that had very low take-up, and so was not at all generous in reality. On the other hand, studying entitlements can be defended as a better representation of government intentions than the actual receipts of programmes.\textsuperscript{26} Another good reason for preferring entitlements in this project is that it would prove very difficult to calculate total child-contingent support from receipts data, because it is very difficult to establish accurately where a family is receiving a tax allowance or tax credit paid through PAYE. It would also be almost impossible to separate out the proportion of a given benefit that was child-contingent from the proportion that was not without computing entitlements at some point.

Having preferred entitlements for this reason, it would theoretically be possible to superimpose a take-up function onto all child-contingent transfers. Take-up of child benefit is virtually universal. Take-up rates for means-tested benefits amongst families with children are summarised in Table 4.1. Take-up of income support and housing benefit is very high, although a little lower before 1988 than after. Take-up of in-work benefits, though, is relatively low, and seems to be even lower under WFTC than under FC, particularly for couples, although we do not know whether such a decline is statistically significant. Two reasons lead us not to allow for non-take-up in our modelling results: first, take-up rates have not been estimated for the (large number of) other programmes that support children and are impossible to estimate for the new tax credits;\textsuperscript{27} second, for the programmes for which we have take-up estimates, our tax and benefit simulation model does not significantly overpredict expenditure.\textsuperscript{28}

All our analysis looks at the financial position of families: we do not attempt to model any shifts in support between different members of the same family.

\textit{Calculating entitlements on a representative sample of families}

To calculate how much child-contingent support changes family income after taxes and benefits, we use the IFS tax and benefit microsimulation model, TAXBEN,\textsuperscript{29} to create a counterfactual series of tax and benefit systems from 1975 to 2003 that do not recognise children in the tax and benefit system (in other words, a regime in which all child-contingent support is abolished). Appendix A gives details of how we simulate this for

\textsuperscript{25} Dickens and Ellwood (2001) have examined trends in benefit receipt by families with children in the Family Expenditure Survey and how it relates to earned income, but they are not able to distinguish child-related benefits from adult-related benefits.

\textsuperscript{26} It is plausible, however, that governments deliberately build in non-take-up when designing programmes (for an economic justification of this, see Besley and Coate (1992) and Yaniv (1997)). In that case, receipts would be a better indication of a government’s intentions.

\textsuperscript{27} The government obviously hopes that take-up of the new tax credits will be higher than take-up of the programmes they replace. Some elements of them will act to increase take-up (many families will continue to be eligible all the time that they have dependent children, for example), but factors such as the increased complexity compared with the current children’s tax credit may reduce take-up.

\textsuperscript{28} For example, Clark and McCrae (2001) look in detail at FC and find that tax and benefit models have lower estimates of expenditure than actual spending before non-take-up is built in.

\textsuperscript{29} TAXBEN is described in Giles and McCrae (1995).
each benefit.\textsuperscript{30} We ignore the various phase-outs and transitional protections that are often introduced when benefits are made less generous (for example, in the 1988 Fowler reforms, and when one-parent benefit and the higher lone-parent premiums in income-related benefits were abolished). Again, this is mostly due to the limitations of the data, but it does usefully accentuate the policy changes.

Except where noted, we have used a sample of families from the same period as the tax and benefit system that we are analysing.\textsuperscript{31} Thus we are modelling the child-contingent support received by families when they were surveyed.\textsuperscript{32} This is done by applying both the actual and counterfactual tax and benefit systems to families in the Family Expenditure Survey (FES), which tells us how much was received by each family in the FES for their children in each year since 1975.\textsuperscript{33} All of our results are grossed up to Great Britain population totals.\textsuperscript{34}

Our figures therefore show the actual amount spent on child-contingent support as both government policy and the characteristics of families with children change over time. An implication of this is that if, for example, child-contingent support had remained unchanged in real terms, but an increasing proportion of families with children had no or very little income, then our analysis would probably show child-contingent support increasing. It is possible, though, to decompose changes in child-contingent support into those due to discretionary policy changes alone and those due to changes in the composition and characteristics of families with children. We can attempt such a decomposition by estimating child-contingent support paid under different years’ tax and benefit systems with an unchanging sample of families with children. In order to do this sensibly, we have to adjust the incomes of families with children in our data-set so that

\textsuperscript{30} Inevitably, the simulation process is constrained by the limitations of the data, which can vary over time. We are able to model maintenance disregards and childcare subsidies/disregards only from 1988 and 1992 respectively. Throughout the period, limitations in the data and/or our model mean that we cannot identify families receiving, or do not model entitlement to, the following: guardian’s allowance, child’s special allowance, war widow’s pension, war pension unemployability supplement, child maintenance bonus, widow’s allowance, industrial death benefit, the discretionary Social Fund, or mobility allowance / attendance allowance / disability living allowance received in respect of children, and various disabled child premiums in various means-tested benefits. We also (more seriously) do not model rent restrictions in housing benefit (rent restrictions can vary by the number, age and gender mix of children). This means that none of these benefits (or components of benefits) is counted in our quantification of total child-contingent support. Working in the opposite direction, we cannot model the contributions condition for the maternity grant pre-1982, and instead award this to all mothers with babies under 1, slightly overstating total child-contingent support.

\textsuperscript{31} An alternative to this is to calculate the support received by a particular specimen family at varying levels of income. See, for example, Battle and Mendelson (2001) or Brewer and Gregg (2001).

\textsuperscript{32} We try to do this as accurately as possible, paying attention to the exact timing of the uprating of benefits and taxes in April and/or November.

\textsuperscript{33} The FES data used run from 1978 to 1999. Data from Northern Ireland were not used. Modelling of earlier and later years is achieved by using 1978 and 1999 data, respectively, uprated appropriately (earnings indexed to average earnings, for example) to simulate data from the year in question. The desired tax and benefit systems can then be applied to these adjusted data. This means that our estimates of the characteristics of families with children will not be precisely right between 1975 and 1977 and between 2000 and 2003.

\textsuperscript{34} Grossing factors are used partly to correct for sampling errors and non-response and partly so that the estimated number of people in the data-set reflects the true population size. The FES grossing factors, though, do not produce the right number of dependent children, so we adjust our usual grossing factors so that our model produces the numbers of dependent children in each year shown in Figure 4.1. This adjustment will not affect our estimates of average child-contingent support per child or per family, but should improve the accuracy of our estimates of aggregate child-contingent support.

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they are appropriate to other years’ tax and benefit systems. We do this by adjusting parents’ earnings in line with average earnings growth over the relevant period, with similar adjustments for other income sources. This process enables us to decompose the overall changes in child-contingent support into those that are a direct result of changes in policy and those that would have happened as the characteristics of families changed over time even if the tax and benefit systems had not changed. We show these results, where they aid understanding, in the analysis below.

Of course, families with children will alter their behaviour in response to policy changes, and governments have made policy changes in the light of changes in the characteristics of families with children (for example, the reforms to family credit during the 1990s were partly a response to the growing numbers of low-income lone parents). We do not model any behavioural response (such as changes in labour supply, family size, housing tenure or savings) when simulating the abolition of child-contingent support. This is clearly unrealistic, but the alternative – to allow all of these to vary simultaneously as the level of child-contingent support changes – would be prohibitively complex.

4.2 Changes in the characteristics of families with children since 1975

The number of families and children

The number of dependent children in Britain has fallen since 1975, from a high of 14.3 million in 1975 to a low of 12.0 million in 1988, rising in the early 1990s to then stabilise at around 12.6 million (see Figure 4.1).35

35 We use administrative data on the number of children receiving child benefit as our estimate of the number of dependent children in Great Britain from 1981. Before that date, we combine data on child benefit recipients with the official estimates of the number of children under 16 in the UK to estimate the number of dependent children in Great Britain (full details are available from the authors). The FES was based on calendar years before 1992 and financial years since, and our labelling of years in this and all other graphs in this chapter follows that convention, so ‘1982’ means calendar year 1982 and ‘1995’ means financial year 1995/96.
Figure 4.1. Number of children in Britain (millions)

Sources: Authors’ calculations based on Department of Social Security (various) for the number of child benefit recipients, and ONS (2002a) for the number of children under 16.

Figure 4.2. The changing composition of families

Source: Authors’ calculations using the Family Expenditure Survey.

The number of families with children in our data has moved correspondingly, from 7.7 million in 1975 to 7.0 million in 2003.36 This implies that the average number of children per family in our data-set has declined, from 1.87 in 1975 to 1.82 in 2003. Figure 4.2 shows that, in fact, the proportions of children in one- and three-child families have increased slightly, while other family types have declined in importance.37

36 See footnote 33.

37 Other sources tell a similar story: ONS (2002a) reports that between 1971 and 2000, the mean number of dependent children per family fell from 1.79 to 1.71 for lone parents, from 2.03 to 1.87 for couples and from 1.9 to 1.8 for all families (based on unweighted General Household Survey totals).
But perhaps the most important change in the characteristics of families with children since 1975 has been the increase in the proportion of children in lone-parent families. In 2000, 26 per cent of families with children were headed by a lone parent, compared with 10 per cent in 1975. Estimates from our FES data are that the proportion of children in these families has grown from 11 per cent to 24 per cent over roughly the same period (see Figure 4.2). These proportions underestimate, of course, the proportion of children who will spend time in a lone-parent-headed family at some point in their childhood.

Other changes are:

- the increasing age at which women have children – mean age at time of birth rose from 26.4 in 1976 to 29.2 in 2001 (source: ONS, 2002a, table 3.1);

- the decline in the proportion of children in families where someone works – 65 per cent of children in lone-parent families had a working parent in 1979, compared with 42 per cent in 1995/96, and the proportion of children in couple families who have at least one working parent has fallen from 95 per cent to 90 per cent over the same period (see Gregg, Harkness and Machin (1999, table 1); more recent comparisons would lead to the same conclusions). Overall, the proportion of children living in a household where no one works has increased from 6 per cent in 1975 to 20 per cent in 2000 (Dickens and Ellwood (2001), using the same data-set as Gregg et al. (1999) but with different years of data).

The position of children in the income distribution

The position of children in the income distribution has changed since 1975. In 1975, the most children were found in the 3rd and 4th deciles, with declining numbers of children found in successively richer deciles (see Figure 4.3, which looks at incomes measured before housing costs). In recent years, the proportion of children in successively richer deciles still declines, but the most children are found in the bottom two deciles. There has, though, also been a rise in the proportion of children in the highest decile. These facts together suggest that inequality amongst children has increased since 1975.

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38 Source: ONS (2002b, table 3.6), based on unweighted General Household Survey data. The proportion of children in lone-parent families has moved almost identically, from 10 per cent in 1975 to 25 per cent in 2000 (ONS, 2002b, table 3.7). (Confusingly, though, the ONS best estimates are that 2.9 million children lived in 1.75 million lone-parent families in 2000 in Great Britain, with no comparable estimates available for 1975 (see Haskey (2002, table 2)).)

39 Here, we follow the HBAI methodology of ascribing to children the equivalised income of the household in which they live. See Department of Social Security / Department for Work and Pensions (various b) for more details.
Figure 4.3. Position of children in the income distribution

Note: Income is measured before housing costs.
Source: Authors’ calculations from the Households Below Average Income data-set.

The growing income inequality amongst children since 1975 has been accompanied by a doubling of child poverty measured by a relative income definition. Child poverty (measured before housing costs to be consistent with Figure 4.3, and defined as less than 50 per cent of mean income) rose from 10 per cent to 23.4 per cent between 1975 and 2000 (1975 figure from Gregg, Harkness and Machin (1999, figure 1); 2000 figure from Brewer, Clark and Goodman (2002, figure 5.1(a))); if incomes are measured after housing costs, the rise in poverty is more pronounced. Indeed, children gradually replaced pensioners as the group of the population most likely to experience relative low incomes.

The rise in the proportion of children in poverty can be seen indirectly from Figure 4.3, knowing that the poverty line (defined as 50 per cent of mean household income before housing costs) moved (roughly) from the top of the 1st decile to the top of the 2nd decile between 1975 and 2000.

There is no simple relationship between the level of child-contingent support and the level of child poverty: for example, low levels of child-contingent support in a given year might be leading to a relatively high level of child poverty, or they might be the outcome of a tax and benefit system where child-contingent support was income-related, families with children were relatively well-off and child poverty was low.
4.3 The main trends in support for children

**Total spending on support for children**

We begin by looking at some aggregate results of the modelling exercise described in Section 4.1. These numbers, then, are not official figures, but derive from our own estimates of aggregate trends in child-contingent support based on micro-data.

**Figure 4.4. Total spending on child-contingent support**

(£ billion, 2002 prices)

![Graph showing total spending on child-contingent support](Image)

- Child support, including housing benefit
- Child support, excluding housing benefit
- Child support, including housing benefit, earnings-indexed

*Source:* Authors’ calculations using TAXBEN and the Family Expenditure Survey, grossed up to reflect population totals.
Our estimate of total government spending on child-contingent support (in constant July 2002 prices) is shown in Figure 4.4. Spending (in real terms) rose from around £9 billion to £11 billion per year between 1975 and 1984, before falling back to £10 billion per year in 1990; it then rose sharply in the early 1990s and even more sharply from 1999. In 2003, the government will spend around £21 billion on child-contingent support. This is some 4.7 per cent of all government spending, up from 3.4 per cent in 1975.

But when comparing these cash values over such long time periods, it is not immediately clear what deflator is appropriate. Child-contingent support in 2003 is 120 per cent higher than the 1975 value if we use the usual prices deflator (the all-items RPI), but the increase is only 45 per cent when deflating by average earnings.\textsuperscript{40} The increase since 1996 is 50 per cent if indexed to prices, 34 per cent if indexed to earnings. However, as can be seen on Figure 4.4, using either deflator, spending on child-contingent support has increased markedly since 1999. Before this time, though, there is an important difference: in real terms, spending on child-contingent support increased almost uninterruptedly, but when deflated by average earnings, spending on child-contingent support declined markedly during the 1980s before rising in the 1990s, and the previous peak before 2000 was in 1984.

Another comparator is child-contingent support as a proportion of GDP. This shows similar trends to those when deflating child-contingent support by average earnings: child-contingent support comprised around 1.5 per cent of GDP between 1975 and 1999, but has risen since to a historic high of 1.9 per cent in 2003.

To avoid repetition, we will adopt price indexation for the remainder of this Commentary, only discussing the impact of indexing to average earnings growth where this makes a substantial difference to the analysis.\textsuperscript{41}

Another issue in comparing total child-contingent support is how to treat housing benefit. This is relevant because, owing to limitations in the data, we do not model rent restrictions to housing benefit, and so we overestimate the incomes (and underestimate implied child-contingent support) of some housing benefit recipients. This is important for this particular project as the likelihood that rent restrictions reduce housing benefit falls as family size rises. In practice, we find that housing benefit itself does virtually nothing in the aggregate to support children (hence two of the lines in Figure 4.4 almost coincide), so the main bias introduced by including housing benefit is that estimates of child-contingent support as a proportion of disposable income will be slightly too small.\textsuperscript{42}

On a similar theme, it should be noted that this Commentary looks at income before housing costs. This means that a family with a higher income may in fact be spending its ‘extra’ income on housing, and this might not necessarily entail higher living standards

\textsuperscript{40} The average earnings index grew by 49.7 per cent more than the RPI between 1975 and 2002 (the latest data available), meaning that average earnings were almost 50 per cent higher in real terms in 2002 than in 1975.

\textsuperscript{41} Results using other indexations are available from the authors on request.

\textsuperscript{42} For some families, housing benefit provides some child-contingent support, but for others, it reduces the aggregate level of child-contingent support (because of the way that benefits interact). In aggregate, these effects roughly cancel out. Results excluding housing benefit are available from the authors on request.
(this particularly affects comparisons over time: social housing rents rose in real terms during the 1980s and 1990s without any real change in quality of the housing stock as direct subsidies were reduced, meaning that any before-housing-costs income growth amongst housing benefit recipients over time may be overstating the improvement in their living standards). We also do not subtract childcare costs from incomes (the FES for 1997 estimates that expenditure on childcare is £1.4 billion a year, but only £40 million of that is by families receiving FC, who are the only people who receive a direct childcare subsidy that we model).  

Spending per child

The number of children in Britain will clearly affect the level of total spending on child-contingent support. As the number of children fell (overall) during the period under consideration, average child-contingent support received per child will have grown at a faster rate than total spending on child-contingent support. Our estimate of spending per child is shown in Figure 4.5. In 2003, the government will pay an average of £31.28 per week for every child in the country, compared with £12.62 in 1975, a 148 per cent increase if we index to prices (but only 64 per cent if we index to earnings). The increase since 1996 is 44 per cent if indexed to prices, 35 per cent if indexed to earnings. As with total spending, spending per child increased dramatically from 1999, before which growth in child-contingent support fell below growth in average earnings between 1984 and 1990, before returning to its previous highest level (attained in 1984) by 2000.

Figure 4.5. Average spending per child  
(£ per week, 2002 prices)

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.

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43 This estimate includes informal care such as babysitting, and is not restricted to working parents.
How much of the changes is due to policy? As we discussed above, Figure 4.6 attempts to answer this by showing our estimate of total spending on child-contingent support (using RPI indexation) against two series that estimate total spending on child-contingent support if the population of families with children had looked like those actually observed in 1978 or 1999 (these are the first and last years of our data-set) but the tax and benefit system had changed each year. By definition, these latter two series coincide with our original estimate in 1978 and 1999 respectively.

Figure 4.6 shows two things. First, total spending on child-contingent support is higher under every year's tax and benefit system on 1999 data than on 1978 data; this tells us that the population changes between 1978 and 1999 have served to increase the total amount of child-contingent support paid, even allowing for the fall in the number of children. Second, between 1978 and 1999, total child-contingent support rose by 46 per cent. If, though, the population of families had remained unchanged beyond 1978, child-contingent support would still have risen, by some 26 per cent. This implies that 55 per cent of the observed rise between 1978 and 1999 has occurred through policy changes and 45 per cent because the characteristics of families have changed since 1978.44

This exercise also shows how important the policy changes since 1999 are. Because we do not have any actual data on the characteristics of families with children beyond 1999, all the estimated changes in spending on child-contingent support beyond 1999 are due to policy changes, and the increase between 1999 and 2003 evaluated on constant 1999

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44 We can reverse the comparison by holding the population of families constant at its 1999 level. This suggests that (a very similar) 47 per cent of the observed change in total child-contingent support between 1978 and 1999 was due to population changes and 53 per cent to policy changes.
data is 45 per cent, nearly twice as large as the percentage increase in child-contingent support due to policy in the preceding 21 years.

We can decompose the trends in child-contingent support per child in the same way. Support per child grew by 61 per cent between 1978 and 1999, with policy changes explaining some 42 per cent of this increase (or 41 per cent if we use 1999 data, as per footnote 44; see Figure 4.7).

Figure 4.7. Decomposing average spending per child
(£ per week, 2002 prices)

![Graph showing the decomposition of average spending per child over time.](image)

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.

Which are the most important programmes?

In 2002, we estimate that 89 per cent of all child-contingent support is provided through three programmes: child benefit, WFTC and income support / income-based JSA. Of these, child benefit is the largest, accounting for 46 per cent of child-contingent support in 2002 (see Figure 4.8).

In fact, child benefit has been the most important single programme since it replaced family allowance and child tax allowances. From its introduction until very recently, it provided the majority of child-contingent support, although its importance has steadily declined since 1979, when it represented 78 per cent of all child-contingent support, as means-tested benefits have expanded. In 2003, though, there will be a dramatic change in the relative importance of programmes, with the new child tax credit providing the majority of child-contingent support.45

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45 In practice, this will not be true until April 2004 – see footnote 24.
Figure 4.8 also shows the growth in in-work support (labelled as FIS/FC/WFTC/WTC) throughout the 1990s. (The ‘other’ category is dominated by tax-based support, which is very small between 1979 and 2001, and contributory benefits, which are relatively unimportant throughout the period.)

**Figure 4.8. Total spending on child-contingent support by programme**  
(£ billion, 2002 prices)

![Graph showing total spending on child-contingent support by programme](image)

*Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.*

**Figure 4.9. Total spending on child-contingent support by programme:**  
1978 population  
(£ billion, 2002 prices)

![Graph showing total spending on child-contingent support by programme: 1978 population](image)

*Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.*
The differential impact of policy changes and population changes can be seen by comparing Figures 4.8 and 4.9: in Figure 4.8, spending on SB/IS/JSA(IB) and on FIS/FC/WFTC/WTC has increased, but if we hold the population constant from 1978, as in Figure 4.9, spending on SB/IS/JSA(IB) increases by little whereas spending on FIS/FC/WFTC/WTC does still increase. This suggests that the increase in spending on SB/IS/JSA(IB) is largely due to population changes, but the changes in spending on FIS/FC/WFTC/WTC are largely driven by policy changes.

Comparisons with official estimates

It is possible to compare some of our results to official estimates. The Department for Work and Pensions publishes historical and forecast social security benefit expenditure broken down by benefit and type of recipient: children, working-age adults and pensioners (see Department for Work and Pensions (2002)). We compare its ‘children’ figure to our estimate of total spending on child-contingent support since 1991 in Figure 4.10. Our total figures, though, differ from those of the DWP for three important reasons:

- The DWP does not define spending on ‘children’ in the same way that we define ‘child-contingent support’. The notes to table 4 of Department for Work and Pensions (2002) say: ‘[the figures estimate] what expenditure on each particular benefit would be if the household or benefit unit did not contain any children’. This seems similar to our definition, but it does not produce the same outcome: for example, the DWP numbers split family credit spending between children and working-age adults, whereas we classify it all as child-contingent support, and there are other differences which act in the other direction.

- Official figures only cover support for children that is/was the responsibility of the Department of Social Security / Department for Work and Pensions since 1991: they do not include the support in the additional personal allowance, or the WFTC, or the new tax credits (and nor does the Inland Revenue publish anything equivalent). For this reason, we have broken down our estimate of total support for children into four categories, three of which sum to give the programmes administered by the DSS/DWP;

- The official figures are based on actual administrative data and will be more accurate than our estimates of entitlement based on a household survey. For example, we do not model spending on child-contingent support through the disability living allowance, and we assume that no lone parents receive the higher rates of child benefit after 1998; this explains why our estimates of non-tax-related child-contingent support are lower than those of the DWP after 1999.

Clearly, the DWP numbers become a very poor guide to total spending on children from 1999. If we ignore the spending through the tax system, our estimates are lower than those of the DWP beyond 2000. Before that date, the numbers are closer together, but this reflects the cancelling out of errors of roughly equal magnitude but opposite sign.
Figure 4.10. Total spending on child-contingent support by type of programme (£ billion, 2002 prices)

Sources: Authors’ calculations using TAXBEN and the Family Expenditure Survey, except ‘social security’, which is from Department for Work and Pensions (2002).

Figure 4.10 also shows that throughout most of the period, non-contributory, non-means-tested benefits have provided a large source of child-contingent support (these are dominated by child benefit). However, increased spending on income-related child-contingent support – whether means-tested benefits or income-related tax credits – is driving the increases in child-contingent support since the early 1990s. From 2003 (strictly, from 2004 – see footnote 24), almost no child-contingent support will be provided by traditional means-tested benefits. Substantial support is provided through the income tax system only until 1979 (child tax allowances) and from 1999 (the WFTC, children’s tax credit and the child tax credit). Contributory benefits amount to a tiny and shrinking proportion of child-contingent support.

Child-contingent support as a proportion of income

It is also interesting to ask how much of a family’s income is made up of child-contingent support. Figure 4.11 shows that we estimate that child-contingent support made up 8.3 per cent of the income of families with children in 1975, rising to 12.5 per cent in 2003. The increase is greater for lone parents and lower for couples; the overall rise, however, is mostly due to the compositional shift towards lone-parent families over this period (shown in Figure 4.14). This is because lone parents receive a much higher proportion of their income from child-contingent support than couple families do, due to a combination of higher child-contingent support (as shown in the next section) and lower incomes. The increasing number of lone parents means that their greater support as a proportion of income pulls up the average in later years.
Figure 4.11. Child-contingent support as a proportion of disposable income

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.

Figure 4.12. Child-contingent support as a proportion of disposable income by family size

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.

Figure 4.12 shows us that child-contingent support has become a more important component of income for families of all sizes when we compare 1975 with 2003, although there appears to be a decline during the 1980s (the year-on-year variation in the

46 The denominator, ‘income’, is defined as disposable income, i.e. income after taxes are paid and benefits received but before housing or any other costs are deducted.
series for large families reflects sampling errors). By holding the population of families constant from 1978, Figure 4.13 charts how policy changes alone have changed the importance of child-contingent support in family income. This shows very clearly that, during the 1980s, policy changes acted to lower the importance of child-contingent support in the family budget, but that this trend was halted in the 1990s and has been strongly reversed since 1997 (the conclusions from this graph are very similar to what one would conclude by comparing the growth in child-contingent support with the growth in average incomes, as in Figure 4.5).

**Figure 4.13. Child-contingent support as a proportion of disposable income by family size: 1978 population**

![Graph showing child-contingent support as a proportion of disposable income by family size: 1978 population.](image.png)

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.

**Child-contingent support for different types of families**

A minority of spending on child-contingent support has gone to lone parents throughout this period, but more than their numerical representation would suggest. Between 1975 and 1997, there was a steady increase in the proportion of child-contingent support going to lone-parent families as the proportion of children in lone-parent families rose (Figure 4.14); they received 40.3 per cent of all child-contingent support in 1998, compared with 18.7 per cent in 1975. However, since 1998, this trend has reversed: although the proportion of children in lone-parent families has not fallen, the proportion of child-contingent support received by lone parents has fallen slightly to 36.5 per cent by 2003.

To isolate the impact of policy, Figure 4.14 also shows what proportion of child-contingent support would have gone to lone parents had the composition of families with children not changed beyond 1978. This shows that lone parents would still have received more child-contingent support under every tax and benefit system since 1978 than their numerical preponderance would suggest. However, it also points to a break in the trend around 1991: before that date, policy changes served to increase the fraction of
child-contingent support received by lone parents, and after that date, they have reduced it, with the 2003 level virtually identical to the 1975 level.

**Figure 4.14. Proportion of children, and of total support for children, in lone-parent families**

Since 1975, our data-set suggests that the proportion of children in one-child families has increased slightly (from 21.0 per cent to 23.3 per cent), but the amount of child-contingent support going to such families has increased by more (from 20.3 per cent to 28.4 per cent – see Figure 4.15). This seems to confirm the suggestion made earlier that there has been an increasing bias in child-contingent support programmes towards the first child in a family. Of course, family circumstances other than the number of children will also determine child-contingent support, so it is important to note that families with one child have quite different characteristics from families with two or three children (for example, lone parents tend to have smaller families, and families with one child are more likely to have pre-school or teenage children than children aged 5–12). Families with two children have always received a smaller fraction of child-contingent support than the fraction of children in two-child families, and this has not changed noticeably during the period. This means that families with three children and families with four or more children have seen their fraction of total child-contingent support decline relative to the number of children in these types of families: for example, families with four or more children comprised 13.1 per cent of children in 1975, falling to 10.7 per cent in 2003, but the fraction of child-contingent support received by these families fell more, from 16.0 per cent to 11.5 per cent. The evidence since 1997 is mixed: the relative decline in child-contingent support has been partially reversed since 1997 amongst families with three children, but not amongst those with four or more children.
Figure 4.15. Proportion of children, and of total support for children, by number of children in the family

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.

Removing the impact of population changes makes the trends easier to interpret. Figure 4.16 shows clearly that policy changes have increased the proportion of support received by one-child families at the expense of families with three or more children, and that this trend has continued under the current Labour government.
4.4 Detail

We now turn from trends in the aggregated data to look at trends in the weekly amount of child support received by different kinds of families over time, conditioning on various characteristics.

Average child-contingent support by family type

Since 1975, lone parents have received more child-contingent support than couples, and child-contingent support is increasing in the number of children (see Figure 4.17). This is, of course, not merely a reflection of the structural differences, as the characteristics of lone-parent families are different from those of couples, and those of families with two children are different from those of families with one child.
Between 1975 and 1999, families with two children received, on average, a roughly constant amount more than families with one child – about £20 for lone parents and £10 for couples – and lone-parent/couple families with three children have received around £25/£15 a week more than those with two. But this (roughly) constant difference represents a diminishing proportion of child-contingent support (indeed, this was suggested by Figure 4.15, which showed that one-child families had increased their share of child-contingent support by more than they had increased their share of children over the period). Since 1999, though, the cash difference between average child-contingent support received by families with two children and that received by those with one child has risen: by 2003, lone parents with two children will receive 65 per cent more child-contingent support, on average, than lone parents with one child; for couples, the difference will be 50 per cent. A similar thing has happened when we compare families with three children and those with two children.

The importance of child-contingent support in total family income

As Figure 4.11 showed in the aggregate, child-contingent support has become an increasingly important component of total family income since 1975. The median value of ‘child-contingent support as a proportion of disposable income’ rose overall through the period (except for a small dip around 1998). For example, it rose from around 17.2

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47 ‘Total family income’ defined as family income after taxes and benefits, but not subtracting housing or any other costs.

48 Here, we use the median when talking about the ‘average’, rather than the mean as in most of the graphs. We prefer to use the mean when analysing child-contingent support measured in pounds, but the median when estimating child-contingent support as a proportion of income. We prefer these two measures because examining, for example, trends over time in median child-contingent support for certain family types turns out to be equivalent to a time-series of child benefit rates and is therefore not very informative; and estimating ‘mean child-contingent support as a
per cent to 31.8 per cent for lone parents with one child, and from 3.3 per cent to 5.8 per cent for couples with one child, between 1975 and 2003.49

For lone parents, this analysis is sensitive to whether disposable income includes housing benefit or not (which is similar to whether we look at income before or after housing costs, given that a majority of lone parents claim HB). Figure 4.18 therefore shows the series with and without HB. Excluding HB from our definition of income increases the importance of child-contingent support in family income: in 2003, the average lone parent with two children will depend on child-contingent support for over 60 per cent of their income on this definition.

Figure 4.18. Median child-contingent support as a proportion of disposable income, by family type, with and without housing benefit

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The link between child support and pre-transfer income

As mentioned above (Figure 4.17), lone parents have, on average, always received more child-contingent support than couples. This is partly because couples tend to have higher incomes than lone parents and therefore receive less means-tested support, but Figure 4.19 shows that lone parents also receive more child-contingent support than couples with the same income. It is important to remember here that we are not modelling how support in a particular programme varies with income holding other factors constant, but instead calculating mean entitlement to child-contingent support for a sample of families proportion of income’ is very sensitive to those with very low incomes. Results using medians rather than means or vice versa are available from the authors.

49 In this analysis, we limit the presentation to families with one or two children; these families comprise around two-thirds of all children and of total child-contingent support in 2002, as shown in Figure 4.15.
with various levels of income (we do this for 20 bands of income, and the mid-point of each band is shown in the graphs).

This tendency is present throughout the period 1975–2003, but more consistently so later on. As discussed earlier, it may reflect a deliberate policy view that couples have an extra implicit income in terms of their extra time available for childcare. However, it may also reflect the fact that couples and lone parents with similar (pre-transfer) incomes vary in other characteristics (age of children, use of registered childcare) that also affect child-contingent support.

**Figure 4.19. Child-contingent support by income and family type**

(£ per week, 2002 prices)

*Source: Authors' calculations using TAXBEN and the Family Expenditure Survey.*
Another feature of the structure of child-contingent support is revealed by Figure 4.19: particularly for lone parents, child-contingent support rises with incomes at low levels before declining. There are two reasons why it initially rises. First, we classify all of FIS/FC/WFTC (the in-work benefits between 1975 and 2002) as child-contingent support, since nothing equivalent exists for those without children (discussed in footnote 13), whereas the child-contingent support for someone with no pre-transfer income does not include the adult allowances in income support / jobseeker’s allowance (and its predecessors) because people without children would be entitled to these. Second, the total value of FIS/FC/WFTC exceeds the child-contingent support in income support / jobseeker’s allowance (and its predecessors) but is only available to working (and therefore richer, on our definition) lone parents. It is not the case, of course, that total transfers increase as lone parents increase their weekly earnings from, say, £0 to £100, but the value of child-contingent support does increase.

Dispersion and variation with income

What does the cross-sectional distribution of child-contingent support look like? We consider this quite tricky issue in Figure 4.20, which plots the values of the 10th, 25th, 50th, 75th and 90th percentiles of child-contingent support for couples for each year since 1975 (the 25th percentile of child-contingent support, for example, is the value that exceeds the child-contingent support received by 25 per cent of families and is lower than the value received by the other 75 per cent of families; the 50th percentile is the median).

Most couples with a given number of children are entitled to the same amount, as they are entitled only to child benefit; this is shown by most of the lines in Figure 4.20 coinciding. The value follows the path of real child benefit rates, roughly constant relative to prices until 1999 (rising slightly in the late 1970s, falling slightly in the late 1980s), and therefore falling slightly relative to earnings. But there are also a small number of couple families, growing in number since about 1999, that receive more.

Figure 4.20. Distribution of child-contingent support for couples
(£ per week, 2002 prices)

Note: Graphs show the 10th, 25th, 50th, 75th and 90th percentiles of support for children for couples with stated number of children. See text for details.

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.
The overall increase in support for couples with children relative to prices shown in Figure 4.17 has been driven, then, first by the increases in support received by the few who have always received more than the majority, and, second, in the most recent years, by the increasing size of this group of families.

This pattern is explained very well by distributitional considerations: the group of families receiving more than the majority corresponds to the poorest couples (see Figure 4.21, where, amongst couples with one or two children, the richest three-quarters received approximately the same child-contingent support until very recently).

**Figure 4.21. Average child-contingent support by pre-transfer income for couples (£ per week, 2002 prices)**

Note: 1st quarter is poorest, 4th quarter is richest.
Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.
In contrast to the situation for couples, the amount of support received by lone parents varies widely (see Figure 4.22). Whether this variation has increased or decreased over time, though, depends on how it is measured: the gap between the 90th and 10th percentiles of child-contingent support increased over time, but the gap between the 25th and 75th percentiles decreased. An important recent change occurs with the new tax credits, which will reduce the dispersion of child-contingent support for lone parents, primarily by pulling up the 10th percentile.

By contrast with couples, the increase in mean support for lone parents shown in Figure 4.17 seems to be driven, then, by increases in child-contingent support across almost all lone parents.

The variations in support received by lone parents, though, do not reflect the variations in lone parents’ incomes as straightforwardly as for couples (see Figure 4.23). It is true that the poorest half of lone parents get more than the richest quarter. But, since the mid-1980s, more support has gone to the second-richest quarter of lone parents than to the poorest half (defining ‘rich’ with respect to pre-transfer income). This is because, as discussed earlier, FIS/FC/WFTC provides higher levels of child-contingent support than income support, but is only available to working (and therefore richer, on our definition) lone parents.

Note: Graphs show the 10th, 25th, 50th, 75th and 90th percentiles of support for children for lone parents with stated number of children. See text for details.

Source: Authors' calculations using TAXBEN and the Family Expenditure Survey.
Figure 4.23. Average child-contingent support by pre-transfer income for lone parents
(£ per week, 2002 prices)

Note: 1st quarter is poorest, 4th quarter is richest.
Source: Authors' calculations using TAXBEN and the Family Expenditure Survey.

Variation with age

In Chapter 3, we described how the variation of child allowances in means-tested benefits has been gradually removed (although the recent increases in payments for children under 12 months have begun to reverse this). This structural trend is harder to find in the actual population, though. This is mainly because the age (and number) of children is highly correlated with income (presumably because childcare places restrictions on labour supply), and income is itself a major determinant of the level of child-contingent support.

Figure 4.24 looks at some of the families in our sample over time, showing how the amount of child-contingent support varies with the age of the child. The trends in the graphs reflect the increases over time shown in Figure 4.17, but they also show that in recent years, families with younger children have seen their child-contingent support rise by more than families with teenagers (the year-on-year variations in these series reflect small sample sizes). Also, while lone parents with teenagers tended to receive more support than lone parents with pre-school children between 1975 and 1997, the reverse is now true.

As before, removing the impact of population changes since 1978 in Figure 4.25 makes it easier to see the effect of policy changes, such as the impact of the Fowler reforms on lone parents with two young children in 1988 and the impact of the reforms since 1997 on all family types shown.
Figure 4.24. Mean child-contingent support by age of child and family type
(£ per week, 2002 prices)

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.
Figure 4.25. Mean child-contingent support by age of child and family type:
1978 population (£ per week, 2002 prices)

Source: Authors’ calculations using TAXBEN and the Family Expenditure Survey.
5. Conclusion

The way that governments have chosen to support families with children in the UK has been changing nearly continuously since 1975 (and probably before then, although we have not examined this). Indeed, had we chosen to do an international comparison, we contend that we would have found a large degree of variation between countries at the same point in time (see Bradshaw and Finch (2002), for example).

One of the current government’s aims for the new tax credits is to ‘[help] parents to understand what they could expect to receive, and [facilitate] public debate about the correct level of support in the context of the Government’s aim to abolish child poverty within a generation’. We hope that we have contributed to that by providing new estimates, based on micro-data and a tax and benefit microsimulation model, of how much money families have received from the government to help them bring up their children.

Our headline findings may not be too surprising: spending on child-contingent support increased in almost every year between 1975 and 2003 compared with growth in the price level, but not compared with growth in average earnings; child benefit has comprised the majority of child-contingent support from its introduction through to 2002; lone parents receive, on average, more support than couples; large families receive more than smaller families; families with pre-school children now receive more support than families with teenagers. But we hope that some of our findings were not previously known, such as those from comparing the proportion of child-contingent support received by certain families and the proportion of children in such families. In particular, we found that, since 1997, the proportion of child-contingent support received by lone parents has fallen while the number of children in such families has not fallen, and the proportion of child-contingent support received by families with three or more children has fallen faster than the proportion of children in such families. Given that child poverty is concentrated in such families, this suggests that the present government’s reforms have been targeted not only at reducing child poverty but also at increasing support for children for parents of all income levels.

We have also attempted to break down the observed changes into those due to policy changes and those due to population changes, although recognising that the two occur simultaneously. We found that the real rise in spending was primarily due to two sets of reforms: those in the early 1990s and those since 1999. But the latter set of reforms have been the most important: we estimate that policy changes since 1999 have increased child-contingent support by nearly twice as much as the changes in the previous two decades. On all our comparisons, the amount of child-contingent support in 2003 will be at a historic high, comprising 1.9 per cent of GDP and 4.7 per cent of government spending and worth an average of £31.28 per child per week. There should be no doubting of the scale or importance of the new child tax credit.

Throughout this work, we have tried not to imply that higher amounts of child-contingent support necessarily imply higher levels of well-being for children: as we have said, even if low incomes are linked with adverse outcomes, it need not be the case that increasing family income will improve these outcomes – there may be some hidden
factor that is producing the apparent causation. This, of course, helps explain why
governments provide a great deal of support and assistance for children through public
services as well as through income transfers, and, as we have not attempted to value
these, our estimates of child-contingent support should not be taken as the total of
government support for parents and children in the UK.

As mentioned before, this work is the first stage in a project, funded by the Joseph
Rowntree Foundation, that will eventually seek to answer questions such as to what
extent governments have compensated families for the costs of children, and to what
extent child-contingent support is merely redistributing from rich families with children
to poor families with children. We will also compare the structure of child-contingent
support with the costs of children implicit in equivalence scales, such as the McClements
scale. We hope this work will be complete early in 2003.
Appendix A. Support for families with children since 1975

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<td>FUTURE PROGRAMMES</td>
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<tr>
<td>Child tax credit</td>
<td>4/03– (replaces children's tax credit and parts of WFTC, and parts of IS and income-based JSA from 4/04)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Paid direct into bank account</td>
<td>Main carer</td>
<td>No</td>
<td>Yes – lower rate (or nothing, depending on income) for subsequent children</td>
<td>Higher for children under 1 year old</td>
<td>Set to zero</td>
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<tr>
<td>Working tax credit</td>
<td>4/03– (replaces part of WFTC)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Paid through wages (employees) or paid direct (self-employed). Childcare element paid direct.</td>
<td>Paid to worker; couple can choose if both working. Childcare element paid to main carer.</td>
<td>Yes – for couples, only childcare element provides child-contingent support. Lone parents receive additional WTC.</td>
<td>Yes – childcare element has lower maximum for second child and is not payable for third child and beyond</td>
<td>No</td>
<td>Set childcare element to zero; set lone parent's rates equal to single person's; set age and working hours conditions equal to those for childless people.</td>
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<td>CURRENT PROGRAMMES</td>
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<tr>
<td>Children’s tax credit</td>
<td>4/01–3/03 (replaced married couple’s allowance and additional personal allowance)</td>
<td>No</td>
<td>Yes, and only available to taxpayers</td>
<td>No</td>
<td>Depends on income of higher earner</td>
<td>Reduction in tax liability</td>
<td>The higher earner if higher-rate taxpayer present, else couple can choose between taxpayers</td>
<td>No</td>
<td>Yes – nothing for subsequent children</td>
<td>Under-16s only; doubled for first year of child’s life from 4/02.</td>
<td>Set to zero</td>
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<tr>
<td>Working families’ tax credit</td>
<td>10/99–3/03 (replaced family credit)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Paid through wages (employees) or as benefit (self-employed, non-workers)</td>
<td>Couple chooses</td>
<td>Childcare tax credit requires partner (if any) to be working</td>
<td>Yes – childcare tax credit has lower maximum for second child and not payable for third child and beyond</td>
<td>Higher for 17- and 18-year-olds</td>
<td>Set all credits to zero</td>
</tr>
<tr>
<td>Child main-tenance bonus</td>
<td>4/97–</td>
<td>No</td>
<td>Yes – must have been on IS or income-based JSA before returning to work or increasing hours/pay</td>
<td>No</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>Main carer</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Not modelled (so generosity underestimated)</td>
</tr>
<tr>
<td>Income-based jobseeker’s allowance</td>
<td>10/96– (formerly part of IS) (family and lone-parent premiums and child allowances abolished from 4/04)</td>
<td>No</td>
<td>Yes (but not paid until start work)</td>
<td>Yes</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>Couple chooses which partner claims and must look for work</td>
<td>Yes – see Note 1</td>
<td>Yes – lower rate for subsequent children</td>
<td>Lower for younger children until 4/00; remains higher for 17- and 18-year-olds.</td>
<td>See Note 2</td>
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<td>Incapacity benefit</td>
<td>4/95– (replaced sickness benefit and invalidity benefit) (child additions abolished for new claimants from 4/03)</td>
<td>Yes</td>
<td>Dependent child increase not payable if partner is a high earner</td>
<td>Yes (except for some parts, including child-related part)</td>
<td>Two individual tests</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the incapacitated person)</td>
<td>No</td>
<td>Lower for first child. Partner's means test more stringent for earlier children.</td>
<td>No</td>
<td>Set child additions to zero</td>
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<tr>
<td>Disability living allowance</td>
<td>4/92– (replaced mobility allowance and part of attendance allowance)</td>
<td>No</td>
<td>No</td>
<td>No (n/a (no means test))</td>
<td>Paid as benefit</td>
<td>Couple chooses</td>
<td>No</td>
<td>No</td>
<td>Mobility component only available from age 5 (age 3 for the lower rate since 4/01)</td>
<td>DLA received on behalf of children not modelled separately and so not set to zero (so generosity underestimated)</td>
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<tr>
<td>Council tax benefit</td>
<td>4/90– (4/89 in Scotland) (formerly part of housing benefit)</td>
<td>No</td>
<td>Yes</td>
<td>No (joint)</td>
<td>Tax cut</td>
<td>Couple chooses</td>
<td>Yes – see Note 1</td>
<td>Yes – lower rate for subsequent children</td>
<td>Lower for younger children until 4/00; remains higher for 17- and 18-year-olds.</td>
<td>See Note 2</td>
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<tr>
<td>Income support</td>
<td>4/88–(replaced supplementary benefit)</td>
<td>No</td>
<td>Yes</td>
<td>No (except workers on strike, or unemployed until 10/96)</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>Couple chooses</td>
<td>Yes – see Note 1</td>
<td>Yes – lower rate for subsequent children</td>
<td>Lower for younger children until 4/00; remains higher for 17- and 18-year-olds.</td>
<td>See Note 2</td>
</tr>
<tr>
<td>Housing benefit</td>
<td>4/88–(replaced standard HB, certificated HB and HB supplement)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Paid as benefit for private tenants, rent reduction for social renters</td>
<td>Couple chooses – but amount may depend on who claims (e.g. if one partner is exempt from local reference rent rules)</td>
<td>Yes – see Note 1</td>
<td>Yes – lower rate for subsequent children</td>
<td>Lower for younger children until 4/00; remains higher for 17- and 18-year-olds.</td>
<td>See Note 2</td>
</tr>
<tr>
<td>Sure Start maternity grant</td>
<td>4/87–(replaced maternity grant)</td>
<td>No</td>
<td>Yes – must be on IS or FC/WFTC to claim</td>
<td>No</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>Couple chooses</td>
<td>No</td>
<td>Only one grant for multiple births</td>
<td>No</td>
<td>Set to zero</td>
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<tr>
<td>Child benefit</td>
<td>4/77– (replaced family allowance)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>n/a (no means test)</td>
<td>Paid as benefit</td>
<td>Couple chooses (if both live with / maintain child); priority goes to the parent the child is living with, or the mother if living with both.</td>
<td>Higher lone-parent rate from 4/97 (but closed to new claimants from 6/98)</td>
<td>Yes – lower rate for subsequent children from 4/91. Weighted towards subsequent children 4/77–3/78.</td>
<td>No</td>
<td>Set to zero</td>
</tr>
<tr>
<td>Invalid care allowance</td>
<td>7/76– (child additions abolished for new claimants from 4/03)</td>
<td>No</td>
<td>Yes – earnings cap for claimant; dependent child increase not payable if partner is a high earner (from 11/84).</td>
<td>Yes (except for child-related part)</td>
<td>Two individual tests</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the carer)</td>
<td>No</td>
<td>Yes – see Note 3</td>
<td>No</td>
<td>Set child additions to zero</td>
</tr>
<tr>
<td>Attendance allowance</td>
<td>12/71– (not available for children since 4/92)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>n/a (no means test)</td>
<td>Paid as benefit</td>
<td>The mother</td>
<td>No</td>
<td>No</td>
<td>Not available to under-2s</td>
<td>Attendance allowance received on behalf of children not modelled separately (so generosity underestimated)</td>
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<tr>
<td><strong>Basic retirement pension</strong></td>
<td>7/48–3/03 (child additions abolished for new claimants from 4/03)</td>
<td>Yes</td>
<td>From 11/84, dependent child increase not payable if partner is a high earner</td>
<td>Yes (except for child-related part)</td>
<td>Depends on partner’s income only</td>
<td>Paid as benefit</td>
<td>The claimant; if both are pensioners, they choose.</td>
<td>No</td>
<td>Yes – see Note 3</td>
<td>No</td>
<td>Set child additions to zero</td>
</tr>
<tr>
<td><strong>Widowed parent’s allowance</strong></td>
<td>7/48–3/01 (child additions abolished for new claimants from 4/03)</td>
<td>Yes (assessed on late spouse’s contributions)</td>
<td>From 11/84, dependent child increase not payable if partner is a high earner</td>
<td>Yes (except for child-related part)</td>
<td>Depends on partner’s income only</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the widow(er))</td>
<td>No</td>
<td>Yes – see Note 3. Lower rate for subsequent children since 4/01 because equivalent benefit for the childless became payable for only 1 year.</td>
<td>No</td>
<td>Set child additions to zero</td>
</tr>
<tr>
<td><strong>Severe disablement allowance</strong></td>
<td>11/84–3/01 (replaced non-contributory invalidity pension)</td>
<td>No</td>
<td>Yes (dependent child increase not payable if partner is a high earner)</td>
<td>No</td>
<td>Depends on partner’s income only</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the disabled person) unless unable to act for him/herself</td>
<td>No</td>
<td>Yes – see Note 3</td>
<td>No</td>
<td>Set child additions to zero</td>
</tr>
<tr>
<td><strong>Additional personal allowance</strong></td>
<td>4/69–3/00</td>
<td>No</td>
<td>Yes, and only available to taxpayers</td>
<td>No</td>
<td>Individual</td>
<td>Tax cut</td>
<td>The couple can choose between taxpayers</td>
<td>No</td>
<td>Yes – nothing for subsequent children</td>
<td>No</td>
<td>Set to zero</td>
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<tr>
<td>Family credit</td>
<td>4/88–10/99 (replaced family income supplement)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>The mother</td>
<td>Childcare disregard required any partner to be working</td>
<td>Yes – lower for subsequent children</td>
<td>Lower for younger children</td>
<td>Set all credits to zero</td>
</tr>
<tr>
<td>One-parent benefit</td>
<td>4/76–3/97</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>n/a (no means test)</td>
<td>Paid as benefit</td>
<td>Whoever the child is living with</td>
<td>Only available to lone parents, but overlapping benefit rules (see notes) mean those eligible for OPB and some other benefits are only paid once in respect of first child</td>
<td>Yes – nothing for subsequent children</td>
<td>No</td>
<td>Set to zero</td>
</tr>
<tr>
<td>Unemployment benefit</td>
<td>7/48–9/96 (child additions abolished in 11/84 for claimants under pensionable age)</td>
<td>Yes</td>
<td>Yes (from 11/84, dependent child increase not payable if partner is a high earner)</td>
<td>Yes (except for child-related part)</td>
<td>Depends on partner’s income only</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the unemployed person)</td>
<td>No</td>
<td>Yes – see Note 3</td>
<td>No</td>
<td>Set child additions to zero</td>
</tr>
<tr>
<td>Invalidity benefit</td>
<td>9/71–3/95</td>
<td>Must have been on sickness benefit (which is normally contributory) first</td>
<td>From 11/84, dependent child increase not payable if partner is a high earner</td>
<td>No</td>
<td>Depends on partner’s income only</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the invalid) unless unable to act for him/herself</td>
<td>No</td>
<td>Yes – see Note 3</td>
<td>No</td>
<td>Set child additions to zero</td>
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<tr>
<td>Sickness benefit</td>
<td>7/48–3/95 (child additions abolished in 11/84 for claimants under pensionable age)</td>
<td>Yes (but also available without contributions following certain work injuries)</td>
<td>No</td>
<td>Depends on partner's income only</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the sick person) unless unable to act for him/herself</td>
<td>No</td>
<td>Yes – see Note 3</td>
<td>No</td>
<td>Set child additions to zero</td>
<td></td>
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<tr>
<td>Mobility allowance</td>
<td>1/76–3/92</td>
<td>No</td>
<td>Flat-rate; taxable until 4/82</td>
<td>Taxable</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>Couple chooses</td>
<td>No</td>
<td>No</td>
<td>Not payable in respect of under-5s</td>
<td>Mobility allowance received on behalf of children not modelled separately (so generosity underestimated)</td>
</tr>
<tr>
<td>Standard housing benefit</td>
<td>4/83–3/88 (replaced rent rebates/ allowances and rate rebates)</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Tax cut (rate payers), rent reduction (social renters) or cash (private renters)</td>
<td>Couple chooses (local authority can decide if both claim)</td>
<td>Yes – higher rate for first child if lone parent</td>
<td>Yes – lower rate for subsequent children if lone parent</td>
<td>No</td>
<td>Set child's needs allowance to zero and lone parent's needs allowance equal to single person's needs allowance</td>
</tr>
<tr>
<td>Family income supplement</td>
<td>8/71–3/88</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>Couple chooses, but must be working full-time</td>
<td>Different work requirements for couples</td>
<td>Yes – lower rate for subsequent children</td>
<td>Lower for younger children from 11/85</td>
<td>Set to zero</td>
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<tr>
<td>Supplementary benefit</td>
<td>11/66–3/88</td>
<td>No</td>
<td>Yes</td>
<td>From 7/82, taxable if paid in lieu of unemployment benefit</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>See Note 4</td>
<td>No</td>
<td>No</td>
<td>Lower for younger children. Families with children under 5 automatically entitled to heating additions.</td>
<td>See Note 5</td>
</tr>
<tr>
<td>Industrial death benefit</td>
<td>7/48–3/88</td>
<td>No, but depends on the deceased having been an employee</td>
<td>No</td>
<td>Main benefit taxable, including higher permanent rate for parents, but child allowance tax-free</td>
<td>n/a</td>
<td>Paid as benefit</td>
<td>The claimant</td>
<td>No</td>
<td>Yes – lower rate for subsequent children. Lower for first child for lone parents because overlaps with OPB.</td>
<td>No</td>
<td>Not modelled (generosity underestimated)</td>
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<tr>
<td>Widow’s allowance</td>
<td>7/48–3/88</td>
<td>Yes (assessed on late husband’s contributions)</td>
<td>Yes (from 11/84, dependent child increase not payable if partner is a high earner)</td>
<td>Yes (except for child-related part)</td>
<td>Depends on partner’s income only</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the widow)</td>
<td>Only available to widows</td>
<td>Yes – higher for first child until 4/78. Lower for lone parents because overlaps with OPB. Partner’s means test (from 11/84) more stringent for earlier children.</td>
<td>No</td>
<td>Not modelled (generosity underestimated)</td>
</tr>
<tr>
<td>Maternity grant</td>
<td>7/48–3/87</td>
<td>Contributory until 7/82</td>
<td>No</td>
<td>No</td>
<td>n/a (no means test)</td>
<td>Paid as benefit</td>
<td>The mother</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Set to zero. NB Contribution conditions before 7/82 not modelled (generosity overestimated).</td>
</tr>
<tr>
<td>Non-contributory invalidity pension</td>
<td>11/75–10/84</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>n/a (no means test)</td>
<td>Paid as benefit</td>
<td>The claimant (i.e. the invalid)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Set child additions to zero</td>
</tr>
<tr>
<td>Rent rebates and allowances</td>
<td>7/72–3/83</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Rent reduction (social renters) or cash (private renters)</td>
<td>The tenant</td>
<td>Yes – higher rate for first child if lone parent</td>
<td>No</td>
<td>No</td>
<td>Set child’s needs allowance to zero and lone parent’s needs allowance equal to single person’s needs allowance</td>
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<tr>
<td>Rate rebates</td>
<td>11/66–3/83</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Joint</td>
<td>Tax cut</td>
<td>The householder</td>
<td>Yes – higher rate for first child if lone parent</td>
<td>No</td>
<td>No</td>
<td>Set child’s needs allowance to zero and lone parent’s needs allowance equal to single person’s needs allowance</td>
</tr>
<tr>
<td>Child tax allowances</td>
<td>?/09–3/79</td>
<td>No</td>
<td>Yes (flat-rate but only relevant to taxpayers)</td>
<td>No</td>
<td>Joint</td>
<td>Tax cut</td>
<td>The father</td>
<td>No</td>
<td>No (except higher for first child 4/77–3/78)</td>
<td>Lower for younger children</td>
<td>Set to zero</td>
</tr>
<tr>
<td>Family allowance</td>
<td>8/46–3/77</td>
<td>No</td>
<td>Yes (flat-rate, but tax and clawback make worth less to taxpayers)</td>
<td>Yes. Receipt of family allowance also triggered reduction in tax allowances (clawback)</td>
<td>Joint</td>
<td>Paid as benefit</td>
<td>The mother</td>
<td>No</td>
<td>Nothing for first child</td>
<td>Set family allowance and clawback to zero</td>
<td></td>
</tr>
</tbody>
</table>
Notes to the table

The table lists the majority of programmes that have provided child-contingent support, as defined elsewhere in this Commentary. Some of the details recorded are applicable to the benefit as a whole and some are applicable only to the child-related part.

Notes common to table entries
2. Set family and lone-parent premiums, child allowances and value of free school meals to zero; set lone parent’s personal allowance and earnings disregard equal to single person’s. Disabled child premium not modelled (so generosity underestimated).
3. Higher for first child until 4/78 because family allowance, unlike child benefit, was weighted against the first child. Lower for first child from 4/92 to claw back some of the higher CB rate paid in respect of the first child as of 4/91, and before 4/92 as well for lone parents because of overlapping with OPB (see overlapping benefit rule (a) below). Partner’s means test (from 11/84) more stringent for earlier children.
4. If receiving FIS, the person whose job qualifies the couple for FIS is the claimant. Otherwise, there is a set of conditions for who can be a claimant; if both or neither partner satisfies these, the couple can choose, but there are incentives for a partner who would not have to sign on to be the claimant.
5. Set child additions, under-5s’ heating additions and value of free school meals to zero; lone parents no longer passported to the long-term rate on the basis of their children; lone parent’s earnings disregard set equal to single person’s. Increases for children in need of constant supervision due to disability etc. not modelled (so generosity underestimated).

Definitions
Working families’ tax credit includes childcare tax credit and disabled person’s tax credit; family credit includes disability working allowance from 1992. Non-contributory invalidity pension includes housewife’s non-contributory invalidity pension. Sure Start maternity grant was maternity expenses payment until 2000; council tax benefit was community charge benefit until 1993; one-parent benefit was child benefit increase until 1981 and child interim benefit in 1976. Widowed parent’s allowance was widowed mother’s allowance (for which men were not eligible) until 2001. Widowed mother’s allowance remains payable for existing recipients.

Clarifications and qualifications
Income support, housing benefit, council tax benefit and income-based jobseeker’s allowance are weighted towards the first child because of the family premium, and more so for 18- to 24-year-old parents because for them the lone parent’s personal allowance is greater than the single person’s.

There are no child dependant additions to basic retirement pension for Category D claimants (those aged 80 or over and not entitled in Category A or B).

Some programmes labelled as ‘no longer available’ may continue to pay benefits to existing claimants.

Overlapping benefit rules
(a) Until 4/99, one-parent benefit / lone-parent rate of child benefit was not payable if the claimant was receiving child dependant increase in widowed mother’s allowance, invalid care allowance, industrial death benefit or retirement pension; similarly, until 4/00 (first) child dependant additions in severe disablement allowance, incapacity benefit, sickness benefit, invalidity benefit and unemployment benefit were reduced by the amount of any OPB / lone-parent rate of CB received. This is no longer the case: for all these benefits, the lone-parent rate of CB remains payable (where appropriate), but if it is received, then the amount of (first) child dependant addition payable in the other benefit is reduced. Since this reduction is smaller than the CB lone-parent premium whereas previously the whole lone-parent premium / OPB was lost, this means that any weighting away from the first child in other benefits caused by this loss has been mitigated.

(b) If a claimant is entitled to more than one non-means-tested benefit other than child benefit (incapacity benefit, invalid care allowance, severe disablement allowance, unemployment benefit, retirement pension, widow’s allowance, widowed parent’s allowance, non-contributory invalidity pension, sickness benefit and invalidity benefit in the table), then only the highest rate will be received. This also applies to child dependant increases for these benefits.

(c) Note that many of the benefits in the table count as income for the purposes of means-tested benefits, so that their value can be offset completely. It may still be worth claiming such benefits, however, since they can act as passports to certain income support premiums etc. The treatment of benefits in means tests
varies both between benefits and over time; for individual cases, see Child Poverty Action Group (various a and b).

**Exclusions**

Maternity allowance and statutory maternity pay excluded. Guardian’s allowance (a child benefit supplement paid to orphans’ guardians) and child’s special allowance (a contributory benefit paid to lone divorced mothers whose maintenance-paying ex-husbands have died) excluded. War widow’s pension and (war pension) unemployability supplement (both higher for parents) excluded. Most in-kind benefits (sight tests, optical appliances, milk, vitamins and exemptions from dental and prescription charges) excluded. Widowed parent’s allowance and state pension entitlement accrued as a result of receiving child benefit excluded. Discretionary Social Fund excluded. Rent restrictions in housing benefit excluded.

**Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CB</td>
<td>child benefit</td>
</tr>
<tr>
<td>DLA</td>
<td>disability living allowance</td>
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<tr>
<td>FC</td>
<td>family credit</td>
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<tr>
<td>FIS</td>
<td>family income supplement</td>
</tr>
<tr>
<td>HB</td>
<td>housing benefit</td>
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<tr>
<td>IS</td>
<td>income support</td>
</tr>
<tr>
<td>JSA</td>
<td>jobseeker’s allowance</td>
</tr>
<tr>
<td>OPB</td>
<td>one-parent benefit</td>
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<tr>
<td>WFTC</td>
<td>working families’ tax credit</td>
</tr>
<tr>
<td>WTC</td>
<td>working tax credit</td>
</tr>
</tbody>
</table>

*Sources:* Child Poverty Action Group, various a, b and c; Tolley, various a and b; Adam and Frayne, 2001; Kaplan and Leicester, 2002; Department of Social Security, various.
References


Tolley (various a), *Tolley’s Income Tax*, London: Tolley.
Tolley (various b), *Tolley’s Social Security and State Benefits*, London: Tolley.
